

Gap Inc.

Fiscal 2016

Fourth Quarter Earnings Results

Teri List-Stoll

Executive Vice President &
Chief Financial Officer

Forward Looking Statements

This conference call and webcast contain forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements other than those that are purely historical are forward-looking statements. Forward-looking statements include statements identified as such in our February 23, 2017 press release.

Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause our actual results to differ materially from those in the forward-looking statements. Information regarding factors that could cause results to differ can be found in our February 23, 2017 earnings press release, our Annual Report on Form 10-K for the fiscal year ended January 30, 2016, and our subsequent filings with the U.S. Securities and Exchange Commission, all of which are available on gapinc.com.

These forward-looking statements are based on information as of February 23, 2017. We assume no obligation to publicly update or revise our forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

SEC Regulation G

This presentation includes the non-GAAP measures adjusted net income, adjusted earnings per share, adjusted operating expenses, and free cash flow. The description or reconciliation of these measures from GAAP is included in our February 23, 2017 earnings press release, which is available on gapinc.com.

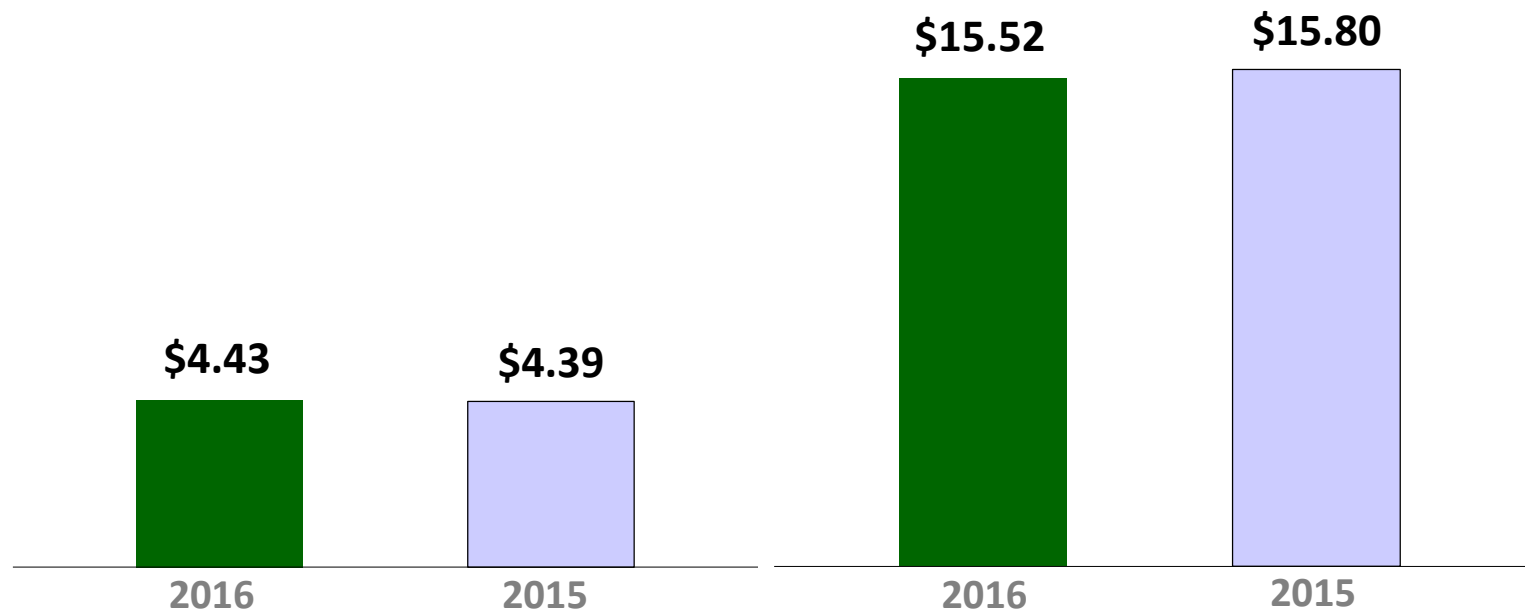
Net Sales

(In Billions)

Gap Inc.

Fourth Quarter

Full Fiscal Year



	2016	2015	2016	2015
Comp	2%	(7%)	(2%)	(4%)
Net Sales Growth vs. Prior Year	1%	(7%)	(2%)	(4%)
Net Sales Growth vs. Prior Year in Constant Currency ⁽¹⁾	1%	(5%)	(2%)	(2%)

(1) In calculating the net sales change on a constant currency basis, current year foreign exchange rates are applied to both current year and prior year net sales. This is done to enhance the visibility of underlying sales trends, excluding the impact of foreign currency exchange rate fluctuations

Gross Profit

(In Billions)

Gap Inc.

Fourth Quarter

Full Fiscal Year

\$1.50

\$1.44

\$5.64

\$5.72

2016

2015

2016

2015

Gross Margin

33.9%

32.8%

36.3%

36.2%

Merchandise Margin
B/(W) LY

50bps

(140bps)

30bps

(130bps)

ROD % of Sales B/(W) LY

60bps

(100bps)

(20bps)

(80bps)

Q4 Operating Expenses

(In Millions)

Gap Inc.

Reported

Adjusted ⁽¹⁾

\$1,200

\$1,085

\$1,176

\$1,066

2016

2015

2016

2015

As a % of sales

27.1%

24.7%

26.6%

24.3%

Marketing Expenses

\$195

\$169

(1) Excludes \$26 million of pre-tax restructuring charges, a \$71 million Intermix goodwill impairment charge, and a \$73 million gain from insurance proceeds in 2016 and \$19 million of pre-tax charges related to strategic actions in 2015

Fiscal Year Operating Expenses

Gap Inc.

(In Millions)

Reported

Adjusted ⁽¹⁾

\$4,449

\$4,196

\$4,254

\$4,098

2016

2015

2016

2015

As a % of sales

28.7%

26.6%

27.4%

25.9%

Marketing Expenses

\$601

\$578

(1) Excludes \$197 million of pre-tax restructuring charges, a \$71 million Intermix goodwill impairment charge, and a \$73 million gain from insurance proceeds in 2016 and \$98 million of pre-tax charges related to strategic actions in 2015

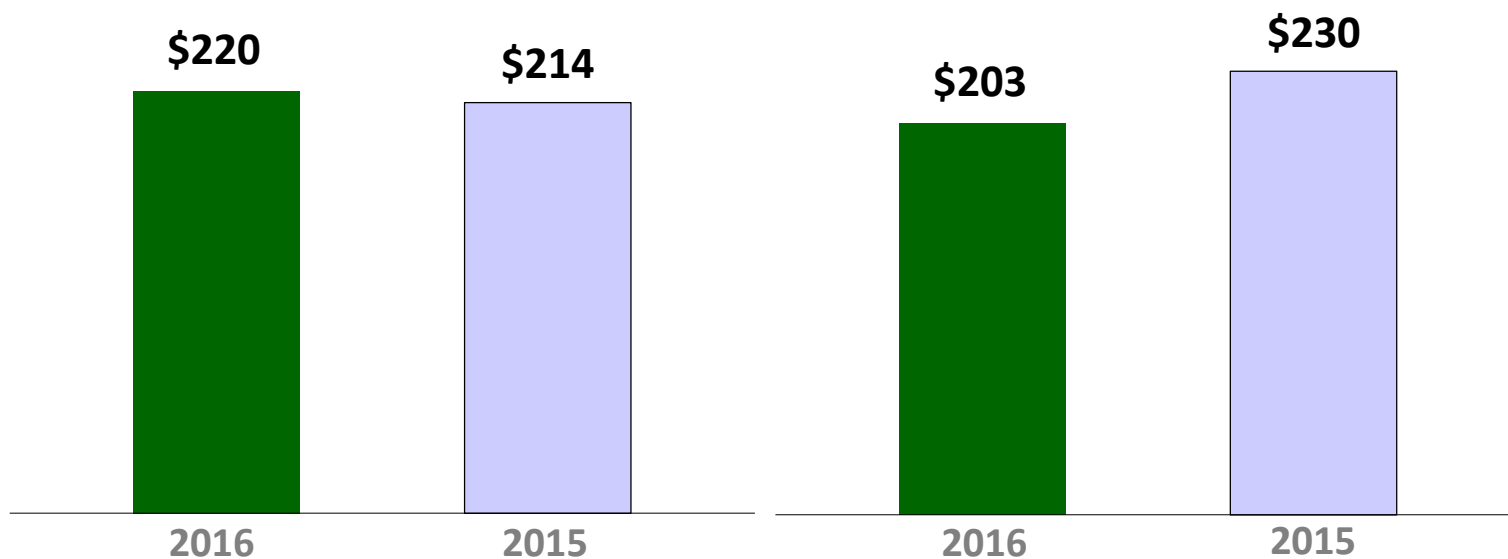
Q4 Net Income

(In Millions)

Gap Inc.

Reported

Adjusted ⁽¹⁾



EPS	\$0.55	\$0.53	\$0.51	\$0.57
EPS Growth YoY	4%	(29%)	(11%)	(24%)
Adjusted EPS Growth Excluding Estimated YoY Impact of FX vs. Prior Year			(4%)	(20%)

(1) Adjusted figures exclude impact of restructuring charges, Intermix goodwill impairment charge, gain from insurance proceeds, and a non-recurring tax benefit in 2016 and charges related to strategic actions in 2015

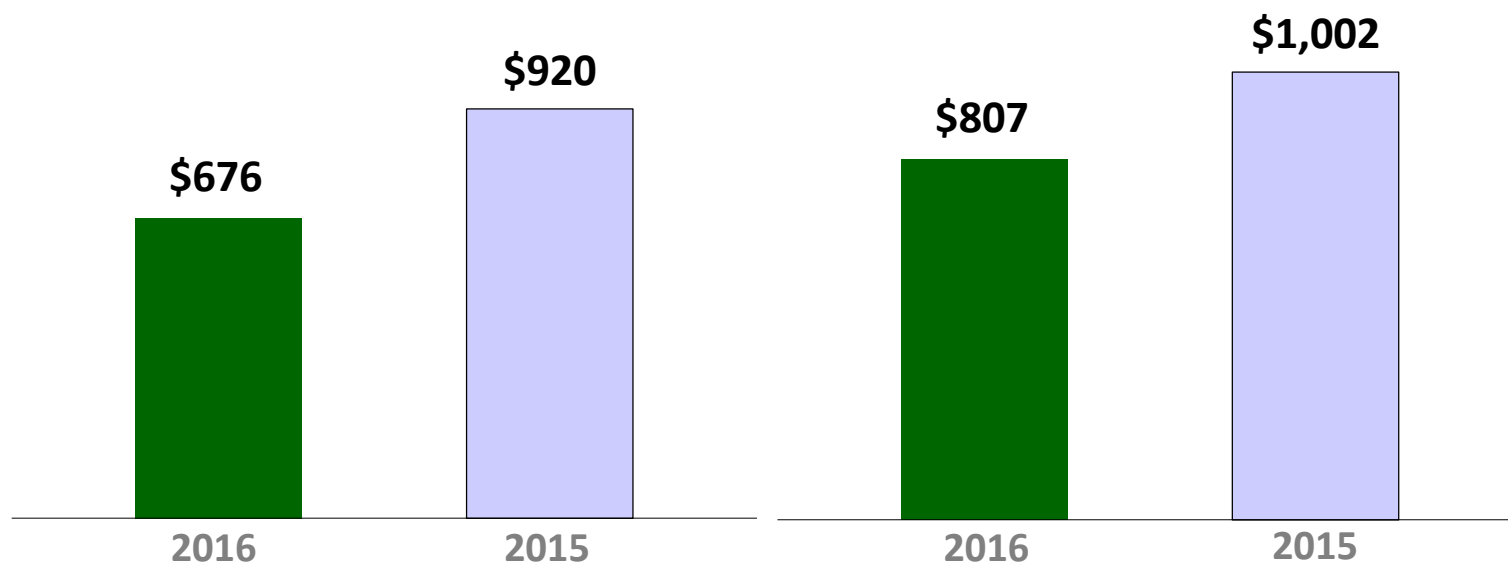
Fiscal Year Net Income

(In Millions)

Gap Inc.

Reported

Adjusted ⁽¹⁾



EPS	\$1.69	\$2.23	\$2.02	\$2.43
EPS Growth YoY	(24%)	(22%)	(17%)	(15%)
Adjusted EPS Growth Excluding Estimated YoY Impact of FX vs. Prior Year			(11%)	(10%)

(1) Adjusted figures exclude impact of restructuring charges, Intermix goodwill impairment charge, gain from insurance proceeds, and a non-recurring tax benefit in 2016 and charges related to strategic actions in 2015

- **Square footage down 3% at the end of Q4**
- **Capital expenditures totaled \$524 million**
- **Total inventory was down 2% at the end of Q4**
- **Full year free cash flow of \$1.2 billion**
- **Ended the year with \$1.8 billion in cash and cash equivalents**
- **399 million shares outstanding at year-end**

Fiscal 2017 Outlook

(As of February 23, 2017)

Gap Inc.

Full Fiscal Year 2017

Reported Diluted Earnings per Share	\$1.95 - \$2.05
Comp Sales	Flat to up slightly
Company-Operated Stores:	
Net New Stores	About 40
New Athleta Stores	About 15
Capital Expenditures	About \$625 million ⁽¹⁾
Effective Tax Rate (Reported)	About 39%

First Half of Fiscal Year 2017

Reported Diluted Earnings per Share (YoY % Change) Down high single digits

End of Q2-17

Gap Inc. Total Inventory \$ (YoY % Change) Down low single digits

(1) Excludes \$200 million related to rebuilding of Fishkill D.C. which is expected to be covered by insurance

Gap Inc.